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SUBJECT: KANSAI INTERNATIONAL AIRPORT (KIX) UPBEAT ON
UPCOMING AVIATION BILAT

¶1. (SBU) Summary: Speaking with Embassy Economic Counselor and econoff in Kyoto ahead of the first U.S.-Japan bilateral aviation talks in three years, President Murayama and Executive Vice President Hirano of the Kansai International Airport Company (KIAC) said that MLIT was prepared to allow "Open Skies" at KIX and Chubu airport if the U.S. were to show flexibility in allocation of new Narita slots. The officials also lamented a decrease in KIX-U.S. service and urged the USG to seek more rights at KIX. They noted KIX's good connections with East Asia but did not see much substance behind Prime Minister Abe's "Asia Gateway" initiative and doubted Haneda could become a round-the-clock airport. End Summary

"Open Skies" at KIX? Possible in All But Name

¶2. (SBU) The KIAC officials said that in the April 3rd talks to be held in Washington, the GOJ Ministry of Land, Infrastructure and Transportation (MLIT) negotiators would be "flexible" on the issue of new passenger and cargo slots and beyond rights for both Kansai International Airport (KIX) and Chubu International Airport were -- without accepting the name "Open Skies." President Atsushi Murayama said that in the future, MLIT will allow KIX to become an Open Skies airport. In return MLIT would seek USG cooperation when new slots became available as Narita's second runway was completed.

¶3. (SBU) Noting that the USG would not take slots away from U.S. carriers, ECOUNS asked if MLIT was talking numbers of slots or percentages, Hirano answered the issue was percentages. ECOUNS noted that American carriers were moving toward point-to-point service rather than traditional hubs. This has major potential for regional airports like KIX, if beyond rights are offered. In particular, service from the U.S. to KIX would be more feasible if more U.S. carriers had rights beyond KIX. With KIX's second runway opening in July, Murayama was confident that KIX had enough capacity for future expansion of its aviation business.

Co-Terminals for Cargo at Haneda and KIX

14. (SBU) Given this excess capacity, Senior Executive Vice President Tadakuni Hirano said that his airport would launch co-terminal service with Haneda. This would allow cargo planes to land at and take off at Haneda with a lighter cargo load, given its shorter runways (see below) then pick up more freight at KIX for beyond service without using slots at Narita. Hirano said ANA and JAL were already operating Haneda-KIX-Shanghai service in this fashion. He thought the GOJ was likely to accept such co-terminal plans. Murayama opined that moving cargo services from Narita to Haneda would free up many slots for other flights.

MLIT: U.S. Too Modest About KIX

15. (SBU) Hirano recounted that MLIT has told KIAC the USG is "too modest" about asking for more slots at KIX. Ecouns answered that based on its extreme positions in past aviation talks, we had little indication that MLIT would agree to expanded service at KIX. Hirano clearly believed there was evidence the GOJ would offer more concessions on regional airports than previously thought, and urged the USG to reconsider.

Confusion over Asian Gateway

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16. (SBU) The executives were unclear about PM Shinzo Abe's proposed Asian Gateway concept, which mentions tourism, cultural exchanges, and more air linkages with the mainland. They were skeptical that Haneda could become a 24-hour airport, for example, citing noise and fishing rights issues as the main stumbling blocks for that airport. They also noted that Haneda's new runway is too short -- only 2.5 km, which makes it almost impossible for jumbo jets to utilize the runway. Murayama thought that KIX was the only logical candidate for increased Asian air service. KIX will be able to operate around-the-clock from July. 40 percent of KIX business comes from routes to the PRC, and a full half when Taiwan routes were included. Compared to the paltry 25 cargo flights to the U.S. per week, KIX has over 140 cargo flights to China over the same period, many by newcomers. They noted that former U.S. MLIT negotiator Mr. Ide was now working on the Asian Gateway in the Cabinet Office.

KIX Woes

17. (U) KIAC is clearly worried about what the precipitous drop in flights to the mainland U.S. means for its bottom line. In 1999, 1.6 million passengers traveled to the U.S., but that has dropped to the current annual level of only 400,000 people. Only two carriers offer 14 flights per week to two cities. They are launching a study group to try to turn around this trend.

18. (SBU) Murayama complained about hypercritical Ministry of Finance bureaucrats who remain unwilling to commit funds to help make KIX more competitive. He did say that in the next fiscal year, MOF will fund KIX construction of a cargo handling facility for the second runway. He strongly advocated raising the

entire cap on Japan air services, not just KIX. The two executives also outlined their public outreach strategy pitched to the national press instead of just reporters based in Osaka.

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